

Honorable Howard W. Cannon
Chairman, Military Pay Subcommittee
United States Senate
Washington 25, D. C.

My dear Senator:

I am writing to you as Chairman of the Special Subcommittee that will consider the military pay bill, H.R. 5555, which passed the House of Representatives, and particularly with reference to Section 4 of the bill which permits those persons retired prior to June 1, 1958, who are paid under the Career Compensation Act, to recompute their retirement pay under existing pay scales and in addition receive a 5% cost of living increase.

As you know, the Committee on Armed Services reported a bill to the House of Representatives which granted a 5% cost of living increase to all retired personnel, including those who retired prior to June 1, 1958. The Committee bill did not permit recomputation.

By a teller vote of 152 to 126, an amendment was adopted on the Floor of the House which permitted those retired prior to June 1, 1958, to recompute their retirement pay under the pay scales enacted in 1958 and in addition receive a 5% cost of living increase. There was no record vote.

In 1958 the Congress adopted a policy of not applying active duty pay scales to those previously retired. We did grant a 6% cost of living increase. I was of the opinion then, and I am of the opinion now, that the decision we made in 1958 was sound and that we should not change that decision.

It has never made sense to me to permit retirement pay for military personnel to be based upon pay scales that were not in existence at the time the individual retired.

Members of Congress cannot recompute their retirement pay after they retire on any pay increases that may thereafter be enacted.

Civil Service annuitants cannot compute their retirement pay on increases enacted after they retire.

I know of no industry that provides retirement pay based upon pay scales that are later increased for their active employees.

We made the decision in 1958 to put retirement pay on the basis of the pay the individual was receiving at the time of retirement. We should adhere to that decision. The amendment adopted on the Floor of the House is a reversion to an old system which was unsound in principle, and cannot be justified under any circumstances.

Frankly, I am very deeply concerned about the costs of military retirement.

The Defense Appropriation Bill for Fiscal 1964 contains \$1,029,000,000 for Fiscal 1964 retired pay costs.

Without regard to any further increases, including those contained in the bill that has passed the House, our military retired pay costs will exceed \$3,000,000,000 in 1980.

And even with the cost of living increases that will be provided in the bill that passed the House, that will go into effect automatically whenever the cost of living goes up 3% or more, it is estimated that retirement costs, based upon a 6% cost of living increase every 4 years, will exceed \$4,135,000,000 by 1980.

The amendment adopted in the House undoubtedly means that in any future pay increases a determined effort will be made on the part of retired personnel to obtain recomputation under the new pay scales.

I don't believe anyone really believes that retired personnel will be satisfied with recomputation under existing pay scales if they are successful in obtaining recomputation in the present pay bill.

And if we take the average increases in military pay since the end of World War II, which approximates an 11% increase every three years, and project that in the future on the basis of recomputation, the retirement costs for military personnel in 1980 will exceed \$6,415,000 annually and by 1983 will exceed \$7,800,000,000 a year.

It is perfectly obvious to me that if the recomputation amendment adopted on the Floor of the House is enacted, then recomputation will be reestablished as a method of computing retirement pay.

This can have only one result, the imposition of many restrictions on present retirement practices.

Any restrictions that are imposed upon the present retirement system may well affect our retention problem and create grave problems in the future.

I am firmly convinced that the enactment of the recomputation amendment will seriously jeopardize the entire military retirement system.

While I have the greatest respect and admiration for those individuals who served in the Armed Forces faithfully and honorably in the past, nevertheless my first concern must be for the active duty forces, and the retention of dedicated, competent personnel who must bear the responsibility for defending our nation in the years ahead.

The amendment adopted on the Floor of the House which authorizes recomputation and a 5% cost of living increase has an ultimate lifetime cost to the taxpayers of \$600,000,000. This is not an insignificant sum, but beyond that is the fact that if the recomputation amendment becomes law there is no question that recomputation will be sought by all retired personnel in the future with each successive pay bill. And the number of persons on the retired list is increasing by 50,000 each year. By 1980 I am advised that there will be 1,061,000 persons on the retired list.

When you analyze the amendment adopted on the Floor of the House, I would call to your attention the increases that will be provided for personnel who retired prior to June 1, 1958:

Grade	Present Pay	Recomputation & 5%	Annual Increase Dollarwise
Former Chiefs of Staff	\$12,130	\$17,712	\$5,532
Generals and Admirals	12,130	16,063	3,833
Lt. Generals and Vice Admirals	11,220	14,172	2,952
Major Generals and Rear Admirals (Upper)	10,272	12,763	2,496
Brig. Generals and Rear Admirals (Lower)	9,223	11,100	1,872
Colonels and Captains (30 years)	7,740	9,312	1,572
Lt. Colonels and Commanders (27)	5,760	6,588	828
Majors and Lt. Commanders (26)	4,896	5,172	276
Captains and Lieutenants (25)	4,092	4,296	204
1st Lts. and Lieutenants (Jg) (25)	3,288	3,456	168
2d Lts. and Ensigns (27)	3,216	3,372	156
E-7s (23)	2,340	2,532	192
E-6s (23)	2,112	2,220	108
E-5s (24)	1,963	2,064	96
E-4s (25)	1,740	1,824	84

Now let's analyze what some of these increases mean, percentagewise.

A former Chief of Staff who has not served on active duty since June 1, 1958, will receive a 45.4% increase in his retirement pay. At the same time, under the bill that has passed the House, a Chief of Staff now serving on active duty will receive only a 5% increase in his basic pay.

Former generals and admirals who retired prior to June 1, 1958, will receive a 31.9% increase in their retirement pay. Active duty generals and admirals will receive a 5% increase in basic pay.

Lieutenant Generals and Vice Admirals retired prior to June 1, 1958, will receive a 26.3% increase in their retired pay; active duty Lieutenant Generals and Vice Admirals will receive a 5% increase in their active duty pay.

Major Generals and Rear Admirals in the upper half retired prior to June 1, 1958, will receive a 24.3% increase in retired pay; active duty Major Generals and Rear Admirals will receive a 5% increase in their pay.

Retired Brigadier Generals and Rear Admirals in the lower half retired prior to June 1, 1958, will receive a 20.3% increase in retired pay; active duty Brigadier Generals and Rear Admirals of the lower half will receive a 5% increase in basic pay.

Colonels retired prior to June 1, 1958, will receive a 20.3% increase in retired pay; active duty Colonels will receive a 10% increase in basic pay.

Lieutenant Colonels retired prior to June 1, 1958, will receive a 14.4% increase in retirement pay; active duty Lieutenant Colonels will receive an average increase of 12.1%.

It is also interesting to note that the average retired Major will receive a 5.6% increase in his retired pay if he retired prior to June 1, 1958, while the active duty pay of Majors will be increased by 15.1%.

All other retired personnel, with the exception of E-7s, who retired prior to June 1, 1958, will receive approximately the same increases in their retirement pay under recomputation as they would receive under a straight 5% cost of living increase.

I find it very difficult to justify a pay proposal which grants to Lieutenant Colonels and above a higher increase in their retirement pay than the active duty forces of comparable grade will receive, particularly since these officers have not served on active duty since June 1, 1958.

I ask you, Senator, how can increases ranging from 20% to 45% for retired Generals, Admirals, and Colonels be justified when they have not served on active duty since June 1, 1958, while at the same time the increase for officers on active duty in the grades of General and Flag officer is only 5%, and 10% for Colonels? In other words, Senator, the amendment would give higher percentage increases to those retired than to those on active duty.

I am quite sure the Congress would not provide active duty percentage increases to the extent the amendment does for this group of about 23,000 retired officers who are the main beneficiaries of recomputation which, as I have pointed out, will ultimately cost the government nearly \$600,000,000.

You may be interested in some figures that I have obtained from the Department of Defense concerning the estimated life-time cost of recomputation plus 5%.

I am advised that the estimated life-time cost for 112,484 retired personnel who would benefit by recomputation, involves an ultimate expenditure of \$504,298,845, without regard to the Coast Guard, Public Health Service and the Coast and Geodetic Survey.

Of this total, \$291,892,397 will be paid to 23,479 officers serving in the grade of Lieutenant Colonel and above.

On the other hand, 89,005 retired personnel will only receive \$212,397,448 during their lifetime as a result of recomputation.

It is interesting to me to note that under recomputation about 20% of the beneficiaries will receive almost 60% of the benefits in dollars.

I sincerely hope that you will thoroughly analyse the recomputation amendment adopted on the Floor of the House and agree with me that it should not remain in the bill.

In the past, the Senate Armed Services Committee has rejected recomputation. As you will recall, your Committee had a study made by the University of Michigan which concluded that the proper, fair and equitable thing for the retired forces was cost of living increases. I agree wholeheartedly with this conclusion.

I remain,

Yours very respectfully,

(signed) Carl Vinson

Carl Vinson
Chairman